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FM AMEMBASSY ASTANA
TO RUEHC/SECSTATE WASHDC PRIORITY 9236
INFO RUCNCIS/CIS COLLECTIVE PRIORITY 0140
RUEHAST/USOFFICE ALMATY PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY 0030
RUEAADN/DTRA DULLES WASH DC PRIORITY

UNCLAS SECTION 01 OF 02 ASTANA 001095

SIPDIS

SENSITIVE
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STATE FOR SCA/CEN (M.O'MARA), SCA/RA (A. CUMMINGS)
PLEASE PASS TO DTRA
SECDEF WASHINGTON DC//ASD-ISP/TSP-CP/CTR
SECDEF WASHINGTON DC//ATSD/NCB/CT/TR

E.O. 12958: N/A
TAGS: [PARM](#) [PREL](#) [KNNP](#) [KZ](#)
SUBJECT: KAZAKHSTAN: FINANCE MINISTER CONFIRMS
APPROVAL OF CTR CONTRACTS

REF: ASTANA 974 AND PREVIOUS

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¶1. (SBU) Minister of Finance Korzhova sent a letter to the Ambassador on April 17 confirming that the interagency commission established to review Cooperative Threat Reduction (CTR) value-added tax exemption (VAT) claims for subcontractors has recommended the approval of nine of ten pending contracts. Post submitted five of the contracts. The only contract not approved covers consulting services and was set aside for further review.

¶2. (SBU) Informal Embassy translation as follows:

Dear Mr. Ordway,
The Ministry of Finance of the Republic of Kazakhstan presents to you its compliments and upon review of your letter of April 9, 2007, regarding the validity of applying the Agreement between the United States of America and the Republic of Kazakhstan Concerning the Destruction of Silo Launchers of Intercontinental Ballistic Missiles, Emergency Response, and the Prevention of Proliferation of Nuclear Weapons of December 13, 1993 (hereinafter, "the Agreement") to subcontracts established under the Cooperative Threat Reduction Program, wishes to inform you of the following:
Decree No. 271 of the Government of the Republic of Kazakhstan dated April 5, 2007, has formed a special Republic of Kazakhstan Consultative and Advisory Government Body, the Interagency Commission (hereinafter, "IC"), for the purpose of administering the activities performed pursuant to the Agreement. The IC has convened on April 12 and 13 to review the subcontracts listed below, which the RK MFA has submitted for exemption from taxes, fees, and customs duty as specified in articles IX and XII of the Agreement.

Contract DTRA 01-03-?-0058/01 with Degelen LLC dated September 1, 2003, for \$ 257, 888.00;
Contract DTRA 04-?-0018/1 with Degelen LLC dated 19 May 2004 ???? for \$ 746,866. 00;
Contract DTRA 1-04-? 0024/1 with Degelen LLC dated 5 July 2004 for \$ 223,946.00;
Contract DTRA 1-05-?-0036/1 with Degelen LLC dated 15 September 2005 for \$ 3,500,000;
Contract DTRA 1-05-?-0036/1 with Degelen LLC dated 15 September 2005 for \$ 3,500,000;
Contract DTRA 24914-?02-F??-?000-00001 with Alef Company LLC for \$ 941,168.87;
Contract ? 24914-202-F?4-?00Y-00004 with Sani LLC for \$52,000.00;
Contract ? 24914-202-F??-??00-00002 with Mir Zhilya LLC for \$ 48,699.00;

Contract ? 24914-235-F??-??00-00001 with Stepnogorsk Invest for \$34,000.00;

Contract ? 24914-225-??4-?X00-00001 with the Non-proliferation Support Center for \$6,820.00.

In reference to the first nine contracts, the IC has decided to consider these contracts as meeting the criteria set by the Agreement, including the provisions for exemptions, and to submit this decision to the appropriate authorities. In regards to the contract established between the Non-proliferation Support Center (ISC) and Bechtel International Systems (BIS), the Commission has withheld from making a determination until additional information is obtained from the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan.

Availing of this occasion, I wish to renew my assurances of my respect for you, and I look forward to our continued fruitful cooperation.

Respectfully,
/signed/

Minister N. Korzhova

End text

13. (SBU) Comment: Minister Korzhova's confirmation letter indicates that success is close at hand. We now only await Prime Minister Masimov's final approval, which should be a formality given his support for the program. While work is left to be done to ensure that the VAT exemption process functions more efficiently in the future, the Kazakhstanis have now created the necessary conditions for work to resume on stalled CTR projects. End comment.

ORDWAY

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1 Translator's Note: This no. 5 was present in the original as a repeat of no. 4.